GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:137
ANSWERED ON:02.03.2001
HURDLES FOR INVESTORS
GANTA SRINIVASA RAO

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the slow implementation of economic policies is creating hurdles for investors;

(b) if so, whether these hurdles are affecting both foreign and Indian investors; and

(c) if so, the steps being contemplated to remove the hurdles and to attract Foreign Direct Investment?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI MURASOLI MARAN)

(a) to (c) A Statement is laid on the Table of the House

STATEMENT REFERRED TO IN REPLY TO PARTS (A)TO (C) OF LOK SABHA STARRED QUESTION NO.137 FOR ANS ON 2.03.2001.

(a) & (b) : Government, in its commitment towards economic reforms and with the objective of attracting more Foreign Direct Investment (FDI) has already put in place a transparent, dynamic and investment friendly FDI policy placing almost all activities under the automatic route for FDI upto 100% except a small list.
A company with foreign direct investment on incorporation in India becomes an India entity and all laws of the land are applicable to such company

(c) : Government constantly reviews the FDI policy with the objective of further refining the policy and enhancing India`s attractiveness as an investment destination. FDI policy liberalisation is a continuous and consultative process involving consultations among various Departments and Ministries of the Government from time to time based on the sector specific requirements for FDI.
With a view to removing procedural delays in setting up of projects as also to create an atmosphere congenial to foreign direct investment, Government has set up a Foreign Investment Implementation Authority for providing an inter face between foreign investors and Government machinery both at the centre and state level.

SYNOPSIS OF LOK SABHA STARRED QUESTION NO. 137 FOR ANSWER ON 2.3.2001 REGARDING HURDLES INVESTORS

The question seeks information whether the slow implementation of economic policies is creating hurdles for both foreign and Indian investors and if so the steps contemplated by the Government to remove the hurdles and to attract Foreign Direct Investment.

Government constantly reviews the FDI policy with the objective of further refining the policy and enhancing India`s attractiveness as an investment destination. For this, a Group of Ministers (GoM) has been set up which reviews the FDI policy from time to time. As part of the liberalisation process, vide Press Note No. 2 of 2000, all items / activities were placed under automatic route for upto 100% FDI / NRI / OCB investment except a small negative list.Thereafter, further liberalisation of FDI policy was announced vide Press Notes No. 7 and 9 of 2000. These Press Notes allow :

- FDI upto 100% for e-commerce

- Removal of upper limit on FDI for power projects under automatic route ll

- FDI upto 100% in oil refining sector under automatic route

- FDI upto 100% through automatic route for all manufacturing activities in Special Economic Zones (SEZs) except a few activities involving national security and social angle

- FDI upto 100% for Internet Service Providers (without gateways), infrastructure providersproviding dark fibre (category I), electronic mail and voice mail

- Payment of royalty for use of trademarks and brand-names as also by wholly owned subsidiaries to offshore parent companies.

To further liberalise FDI regime, a consultative exercise with various Ministries / Departments is already in progress.In this regard, GoM in its meeting held on 9.2.2001 has made certain recommendations on FDI policy on various sectors like drugs and pharmaceuticals, NBFCs, defence production, print media, housing, settlements and dwelling units, NBFC and banking, etc.These recommendations will be placed before the Cabinet and will be notified after the Cabinet approves the proposals.

With a view to removing procedural delays in setting up of projects as also to create an atmosphere congenial to III foreign direct investment, Government has set up a Foreign Investment Implementation Authority for providing a single point inter face between foreign investors and Government machinery both at the centre and state level.